

EXHIBIT

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DATE

1-19-07

HB

STATE EMPLOYEE GROUP BENEFIT PLAN

Scenario #3 [Worst Trend - Reduced Funding] - Assumptions

- o Medical trend = 9.5%; Rx trend = 13%; Dental trend = 15.5% for 2007
- o Medical trend = 13%; Rx trend = 16%; Dental trend = 8% for 2008-2009
- o State share increases to \$0 in 2008 and \$0 in 2009
- o No benefit cuts or increases in 2008 or 2009
- o No out-of-pocket premium increases for plan members in 2008-2009

Note: Medical trend as of 3rd Q 2006 was 9%; Rx was 14.4% and Dental was 15.2%. Expected to rise in last quarter of year.

	Plan Year					
	2004	2005	2006 (Projected)	2007 (Projected)	2008 (Projected)	2009 (Projected)
Total Expenditures	\$79,253,124	\$86,398,832	\$92,805,608	\$107,631,647	\$121,536,077	\$137,324,624
IBNR Reserve	\$9,605,426	\$9,830,514	\$11,353,143	\$12,841,705	\$14,538,803	\$16,461,896
Grandfather Reserve	\$1,483,900	\$1,308,800	\$1,171,300	\$1,150,900	\$1,101,100	\$1,054,100
Total IBNR	\$11,089,326	\$11,139,314	\$12,524,443	\$13,992,605	\$15,639,903	\$17,515,996
Ending Balance	\$24,300,871	\$33,015,650	\$41,290,151	\$43,301,084	\$31,407,587	\$3,725,543
Ending Balance Net of Total IBNR (*)	\$13,211,545	\$21,876,336	\$28,765,708	\$29,308,479	\$15,767,684	(\$13,790,453)
60-Days Expenditures	\$13,027,911	\$14,202,548	\$15,255,716	\$17,692,873	\$19,978,533	\$22,573,911
Amount (*) in Excess of 60-Days Expenditures	\$183,634	\$7,673,788	\$13,509,992	\$11,615,606	(\$4,210,849)	(\$36,364,364)

don't meet 2-18-812